Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

UNCLASSIFIED

PAGE 01 MANILA 19020 021229Z
ACTION EA-12

INFO OCT-01 ISO-00 EB-08 /021 W
----------031968 022344Z /61
R 020839Z DEC 77
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 8671
USDOC WASHDC

UNCLAS MANILA 19020

USDOC FOR MPD

E.O. 11652: N/A
TAGS: BENC, RP
SUBJECT: MAJOR PROJECT: DBP SHIPPING PROJECT

REF: 10 FAM 164.1

1. PROJECT DESCRIPTION. PHASE II OF LOAN FINANCING ASSISTANCE TO PRIVATE SHIPPING COMPANIES FOR ACQUISITION OF NEW AND USED SHIPS, AND MAJOR REPAIRS AND CONVERSIONS OF EXISTING SHIPS. AMOUNT BEING SOUGHT - $25 MILLION.

2. STATUS UPDATE. LENDING ACTIVITY OF THE DEVELOPMENT BANK OF THE PHILIPPINES (DBP) IN THE MARITIME SECTOR IS CARRIED OUT IN THE CONEXT OF A 10-YEAR DEVELOPMENT PROGRAM FORMULATED BY THE MARITIME INDUSTRY AUTHORITY (MIA), WHICH WAS RECENTLY SUBMITTED TO PRESIDENT MARCOS FOR APPROVAL.

OF THE $20 MILLION IBRD LOAN TO DBP FOR THE FIRST PHASE OF THE PROJECT, $900,000 WAS USED FOR TECHNICAL SERVICES, INCLUDING THE ESTABLISHMENT OF THE ORGANIZATION OF THE MIA, THE FORMULATION OF A MARITIME INDUSTRY DEVELOPMENT PROGRAM, AND TECHNICAL ASSISTANCE TO DBP. ACCORDING TO MISS OFELIA CASTELL, DBP MANAGER OF INDUSTRIAL PROJECTS DEPARTMENT III (IPD III) (MARTIME), ABOUT 79 PERCENT
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 MANILA 19020 021229Z

OF THE $19.1 MILLION LOANABLE FUND IS ALREADY UTILIZED. PRESENTLY, $10 MILLION IS COMMITTED WHILE ADDITIONAL LOAN APPLICATIONS TOTAL $5 MILLION. PROCUREMENT OF NEW AND USED VESSELS HAS BEEN GOING ON UNDER THE GUIDELINES APPROVED IN THE LOAN AGREEMENT WITH IBRD, AS AMENDED (SEE PARA 5).

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

3. PROBLEMS. INITIALLY, THE DBP CREDIT LINE WAS RELATIVELY UNUSED BECAUSE OF UNCOMPETITIVE LENDING RATES (12 PERCENT,AS STIPULATED IN THE LOAN AGREEMENT), COMPARED TO THE 8 PERCENT, 15-YEAR LOANS TO THE SHIPPING SECTOR OFFERED BY THE NATIONAL DEVELOPMENT CORPORATION (NDC). NDC LENDING (FUNDED FROM A $89 MILLION LOAN FROM GERMANY AT 9 PERCENT INTEREST), WAS STOPPED BY PRESIDENT MARCOS AFTER DBP, NEDA AND THE DEPARTMENT OF INDUSTRY POINTED OUT THAT THE INTEREST RATE DIFFERENTIAL WAS UNECONOMIC, SINCE THE NDC EXPECTED THE GOP TO SUB-SIDIZE THE BALANCE OF ITS DEFICIT.

THE INITIAL LOW UTILIZATION RATE OF THE FIRST DBP CREDIT LINE, ACCORDING TO MISS CASTELL, STALLED THE PROPOSAL OF A SECOND WB LOAN, BECAUSE OF THE COST OF COMMITMENT FEES FOR UNUSED CREDIT LINES. IT HAS BEEN ONLY RECENTLY THAT AVAILMENT OF DBP FUNDS PICKED UP.

4. PROJECTIONS. THE DBP EXPECTS THE WB APPRAISAL MISSION (FOR THE SECOND LOAN OF ABOUT $25 MILLION) IN EARLY 1978. WITH ONLY $4.1 MILLION OF THE FIRST CREDIT LINE NOT YET COVERED BY COMMITMENTS AND APPLICATIONS, LOAN BEYOND THIS FIGURE WOULD BE COVERED BY DBP EQUITY CONTRIBUTIONS TO THE PROJECT UNTIL THE APPROVAL OF THE SECOND LOAN WHICH IS EXPECTED BY 1979.

UNCLASSIFIED

UNCLASSIFIED

5. OPPORTUNITIES FOR U.S. BUSINESS. THERE ARE NO OPPORTUNITIES UNDER THIS IBRD LOAN FOR U.S. SHIPBUILDERS. THE DBP HAS STOPPED CONSIDERING (WITH WB APPROVAL) INTER-NATIONAL SHIPBROKERS FOR THE PROCUREMENT OF INTER-ISLAND VESSELS. UNCOMPETITIVE PRICES, OWING TO THE HIGH DELIVERY COSTS AND THE 15 PERCENT TARIFF PROTECTION ENJOYED BY LOCAL SHIPYARES, LED TO THIS DECISION.
NEWSOM

UNCLASSIFIED

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Sent Date: 02-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MANILA19020
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770448-0557
Format: TEL
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197712100/aaaadhcu.tel
Line Count: 102
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: daee20fb-c188-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 14-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 104871
Secure: OPEN
Status: NATIVE
Subject: MAJOR PROJECT: DBP SHIPPING PROJECT
TAGS: BENC, RP
To: STATE COM
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/daee20fb-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009